

TREYNOR COMMUNITY SCHOOL DISTRICT
TREYNOR, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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TREYNOR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
James Murray	President	2003
Douglas Klahn	Vice President	2003
Neal Andersen	Board Member	2005
Joshua Guttai	Board Member	2004
Jerry Hempel	Board Member	2004
<u>Board of Education</u>		
(After September 2003 Election)		
Jerry Hempel	President	2004
James Murray	Vice President	2006
Douglas Klahn	Board Member	2006
Neal Andersen	Board Member	2005
Joshua Guttai	Board Member	2004
<u>School Officials</u>		
Kevin Elwood	Superintendent	2004
Robert Gronstal	District Secretary/Treasurer	2004
Joe Thornton	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Trey nor Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Trey nor Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Trey nor Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Trey nor Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2004 on our consideration of Trey nor Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 36 through 38 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Treynor Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed qualified opinions on those financial statements because of the effect of the unaudited carrying value of the general fixed assets. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 7, 2004

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Basic Financial Statements

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,989,390	\$ 48,153	\$ 3,037,543
Receivables:			
Property tax:			
Current year	25,417	-	25,417
Succeeding year	1,394,667	-	1,394,667
Accrued interest	223	-	223
Accounts	332	-	332
Due from other governments	66,053	-	66,053
Inventories	-	5,757	5,757
Capital assets, net of accumulated depreciation (note 3)	6,915,139	31,347	6,946,486
Total assets	11,391,221	85,257	11,476,478
Liabilities			
Accounts payable	341,013	-	341,013
Salaries and benefits payable	341,364	11,603	352,967
Accrued interest payable	69,410	-	69,410
Deferred revenue:			
Succeeding year property tax	1,394,667	-	1,394,667
Long-term liabilities (note 4):			
Portion due within one year:			
Bonds payable	360,000	-	360,000
Portion due after one year:			
Bonds payable	5,005,000	-	5,005,000
Total liabilities	7,511,454	11,603	7,523,057

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 1,550,139	\$ 31,347	\$ 1,581,486
Restricted for:			
State Grants	59,687	-	59,687
Local option sales and services tax revenue bonds	137,500	-	137,500
Management levy	21,666	-	21,666
Physical plant and equipment levy	200,696	-	200,696
Other special revenue purposes	37,018	-	37,018
Debt service	29,826	-	29,826
Capital projects	1,417,373	-	1,417,373
Unrestricted	425,862	42,307	468,169
Total net assets	\$ <u>3,879,767</u>	\$ <u>73,654</u>	\$ <u>3,953,421</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
		Services		
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,972,553	\$ 490,618	\$ 175,727	\$ -
Special instruction	269,001	40,431	20,797	-
Other instruction	377,613	176,860	5,359	-
	<u>2,619,167</u>	<u>707,909</u>	<u>201,883</u>	<u>-</u>
Support services:				
Student services	82,558	-	3,336	-
Instructional staff services	59,035	-	-	-
Administration services	371,509	-	-	-
Operation and maintenance of plant services	367,471	7,953	-	-
Transportation services	218,222	12,576	-	-
Central and other support services	3,341	-	-	-
	<u>1,102,136</u>	<u>20,529</u>	<u>3,336</u>	<u>-</u>
Non-instructional programs	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	14,391	-	-	-
Long-term debt interest and fiscal charges	216,608	-	-	-
AEA flowthrough	144,976	-	144,976	-
Depreciation (unallocated) *	176,064	-	-	-
	<u>552,039</u>	<u>-</u>	<u>144,976</u>	<u>-</u>
Total governmental activities	4,276,642	728,438	350,195	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>224,917</u>	<u>157,617</u>	<u>67,538</u>	<u>-</u>
Total	<u>\$ 4,501,559</u>	<u>\$ 886,055</u>	<u>\$ 417,733</u>	<u>\$ -</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,306,208)	\$ -	\$ (1,306,208)
(207,773)	-	(207,773)
(195,394)	-	(195,394)
(1,709,375)	-	(1,709,375)
(79,222)	-	(79,222)
(59,035)	-	(59,035)
(371,509)	-	(371,509)
(359,518)	-	(359,518)
(205,646)	-	(205,646)
(3,341)	-	(3,341)
(1,078,271)	-	(1,078,271)
(3,300)	-	(3,300)
(14,391)	-	(14,391)
(216,608)	-	(216,608)
-	-	-
(176,064)	-	(176,064)
(407,063)	-	(407,063)
(3,198,009)	-	(3,198,009)
-	238	238
(3,198,009)	238	(3,197,771)

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 9)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,139,065	\$ -	\$ 1,139,065
391,248	-	391,248
42,217	-	42,217
365,951	-	365,951
1,642,516	-	1,642,516
32,916	309	33,225
50,206	-	50,206
3,664,119	309	3,664,428
466,110	547	466,657
3,413,657	73,107	3,486,764
<u>\$ 3,879,767</u>	<u>\$ 73,654</u>	<u>\$ 3,953,421</u>

TREYNOR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 811,324	\$ 50,607	\$ 1,869,630	\$ 257,829	\$ 2,989,390
Receivables:					
Property tax:					
Current year	17,144	6,755	-	1,518	25,417
Succeeding year	954,562	358,510	-	81,595	1,394,667
Accrued interest	-	-	190	33	223
Accounts	332	-	-	-	332
Due from other governments	11,446	-	54,607	-	66,053
Total assets	<u>\$ 1,794,808</u>	<u>\$ 415,872</u>	<u>\$ 1,924,427</u>	<u>\$ 340,975</u>	<u>\$ 4,476,082</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 13,333	\$ -	\$ 327,680	\$ -	\$ 341,013
Salaries and benefits payable	341,364	-	-	-	341,364
Deferred revenue:					
Succeeding year property tax	954,562	358,510	-	81,595	1,394,667
Total liabilities	<u>1,309,259</u>	<u>358,510</u>	<u>327,680</u>	<u>81,595</u>	<u>2,077,044</u>
Fund balance:					
Reserved for:					
State grants	59,687	-	-	-	59,687
Local option sales and services tax revenue bonds	-	-	137,500	-	137,500
Debt service	-	57,362	-	-	57,362
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	259,380	259,380
Undesignated	425,862	-	1,459,247	-	1,885,109
Total fund balances	<u>485,549</u>	<u>57,362</u>	<u>1,596,747</u>	<u>259,380</u>	<u>2,399,038</u>
Total liabilities and fund balances	<u>\$ 1,794,808</u>	<u>\$ 415,872</u>	<u>\$ 1,924,427</u>	<u>\$ 340,975</u>	<u>\$ 4,476,082</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds	\$ 2,399,038
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,915,139
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(69,410)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,365,000)</u>
Net assets of governmental activities	\$ <u><u>3,879,767</u></u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,088,286	\$ 391,031	\$ 365,951	\$ 92,307	\$ 1,937,575
Tuition	512,865	-	-	-	512,865
Other	94,025	2,886	22,713	179,071	298,695
State sources	1,926,131	217	-	52	1,926,400
Federal sources	67,217	-	-	-	67,217
Total revenues	3,688,524	394,134	388,664	271,430	4,742,752
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,965,957	-	-	4,500	1,970,457
Special instruction	269,001	-	-	-	269,001
Other instruction	188,324	-	-	185,682	374,006
	2,423,282	-	-	190,182	2,613,464
Support services:					
Student services	82,558	-	-	-	82,558
Instructional staff services	59,035	-	-	-	59,035
Administration services	369,509	-	-	2,000	371,509
Operation and maintenance of plant services	339,753	-	-	25,618	365,371
Transportation services	178,850	-	-	12,517	191,367
Central and other support services	-	-	-	3,341	3,341
	1,029,705	-	-	43,476	1,073,181
Non-instructional programs	-	-	-	3,300	3,300
Other expenditures:					
Facilities acquisition	-	-	2,296,353	14,456	2,310,809
Long term debt:					
Principal	-	220,000	-	-	220,000
Interest and fiscal charges	-	170,619	-	-	170,619
AEA flowthrough	144,976	-	-	-	144,976
	144,976	390,619	2,296,353	14,456	2,846,404
Total expenditures	3,597,963	390,619	2,296,353	251,414	6,536,349
Excess (deficiency) of revenues over (under) expenditures	90,561	3,515	(1,907,689)	20,016	(1,793,597)

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources:					
Local option sales and services tax revenue bonds issued	\$ -	\$ -	\$ 1,375,000	\$ -	\$ 1,375,000
Net change in fund balances	90,561	3,515	(532,689)	20,016	(418,597)
Fund balances beginning of year	394,988	53,847	2,129,436	239,364	2,817,635
Fund balances end of year	<u>\$ 485,549</u>	<u>\$ 57,362</u>	<u>\$ 1,596,747</u>	<u>\$ 259,380</u>	<u>\$ 2,399,038</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (418,597)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,296,418	
Depreciation expense	<u>(210,722)</u>	2,085,696

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 220,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (45,989)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (1,375,000)

Change in net assets of governmental activities \$ 466,110

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 48,153
Inventories	5,757
Capital assets, net of accumulated depreciation	<u>31,347</u>
Total assets	<u>85,257</u>
Liabilities	
Salaries and benefits payable	<u>11,603</u>
Net Assets	
Invested in capital assets	31,347
Unrestricted	<u>42,307</u>
Total net assets	<u>\$ 73,654</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>157,617</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	78,448
Benefits	12,780
Purchased services	8,428
Supplies	121,087
Depreciation	4,057
Other	117
	<u>224,917</u>
Operating loss	<u>(67,300)</u>
Non-operating revenues:	
Interest on investments	309
State sources	3,873
Federal sources	63,665
Total non-operating revenues	<u>67,847</u>
Change in net assets	547
Net assets beginning of year	<u>73,107</u>
Net assets end of year	\$ <u><u>73,654</u></u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 155,630
Cash received from miscellaneous operating activities	1,987
Cash payments to employees for services	(91,374)
Cash payments to suppliers for goods or services	<u>(109,263)</u>
Net cash used in operating activities	<u>(43,020)</u>
Cash flows from non-capital financing activities:	
State grants received	3,873
Federal grants received	<u>43,238</u>
Net cash provided by non-capital financing activities	<u>47,111</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(11,011)</u>
Cash flows from investing activities:	
Interest on investments	<u>309</u>
Net increase in cash and cash equivalents	(6,611)
Cash and cash equivalents beginning of year	<u>54,764</u>
Cash and cash equivalents end of year	\$ <u><u>48,153</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (67,300)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,057
Commodities used	20,427
(Increase) in inventories	(58)
(Decrease) in salaries and benefits payable	<u>(146)</u>
Net cash used in operating activities	\$ <u><u>(43,020)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$20,427 of federal commodities.	

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Treynor Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Treynor, Iowa, and the agricultural territory in Pottawattamie and Mills Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Treynor Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Treynor Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie and Mills County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-40 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liabilities at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted prior to the budget amendment and disbursements in the non-instructional programs functional area exceeded the amount budgeted at year end.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$63,293 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 200,751	\$ -	\$ -	\$ 200,751
Construction in progress	111,196	2,171,037	-	2,282,233
Total capital assets not being depreciated	<u>311,947</u>	<u>2,171,037</u>	<u>-</u>	<u>2,482,984</u>
Capital assets being depreciated:				
Buildings	6,074,863 *	92,829	-	6,167,692
Improvements other than buildings	398,323	25,695	-	424,018
Furniture and equipment	568,330 *	6,857	-	575,187
Total capital assets being depreciated	<u>7,041,516</u>	<u>125,381</u>	<u>-</u>	<u>7,166,897</u>
Less accumulated depreciation for:				
Buildings	1,928,202	151,145	-	2,079,347
Improvements other than buildings	341,329	4,451	-	345,780
Furniture and equipment	254,489	55,126	-	309,615
Total accumulated depreciation	<u>2,524,020</u>	<u>210,722</u>	<u>-</u>	<u>2,734,742</u>
Total capital assets being depreciated, net	<u>4,517,496</u>	<u>(85,341)</u>	<u>-</u>	<u>4,432,155</u>
Governmental activities capital assets, net	<u>\$ 4,829,443</u>	<u>\$ 2,085,696</u>	<u>\$ -</u>	<u>\$ 6,915,139</u>

* = In preparation for implementing Governmental Accounting Standards Board Statement No. 34, the District has increased its capitalization limit to \$5,000. The effect of this change included the removal of \$1,035,562 of items previously classified as furniture and equipment. In addition, \$216,210 of items previously classified as furniture and equipment has been reclassified as buildings. The beginning balances have been adjusted to reflect these changes.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 38,679	\$ 11,011	\$ -	\$ 49,690
Less accumulated depreciation	14,286	4,057	-	18,343
Business-type activities capital assets, net	<u>\$ 24,393</u>	<u>\$ 6,954</u>	<u>\$ -</u>	<u>\$ 31,347</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 2,096

Other

3,607

Support services:

Operation and maintenance of plant services

2,100

Transportation

26,855

34,658

Unallocated depreciation

176,064

Total governmental activities depreciation expense

\$ 210,722

Business-type activities:

Food service operations

\$ 4,057

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Total
Balance beginning of year	\$ 4,210,000	\$ -	\$ 4,210,000
Additions	-	1,375,000	1,375,000
Reductions	220,000	-	220,000
Balance end of year	<u>\$ 3,990,000</u>	<u>\$ 1,375,000</u>	<u>\$ 5,365,000</u>
Due within one year	<u>\$ 230,000</u>	<u>\$ 130,000</u>	<u>\$ 360,000</u>

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	May 1, 1998 Issue		
		Principal	Interest	Total
2005	5.50 %	\$ 185,000	\$ 95,230	\$ 280,230
2006	5.30	195,000	85,055	280,055
2007	4.40	205,000	74,720	279,720
2008	4.45	215,000	65,700	280,700
2009	4.50	225,000	56,132	281,132
2010	4.50	235,000	46,008	281,008
2011	4.55	245,000	35,432	280,432
2012	4.60	255,000	24,285	279,285
2013	4.65	270,000	12,555	282,555
Subtotal		2,030,000	495,117	2,525,117

Year Ending June 30,	Interest Rate	June 1, 2003 Issue		
		Principal	Interest	Total
2005	2.00 %	\$ 45,000	\$ 69,988	\$ 114,988
2006	2.00	50,000	69,087	119,087
2007	2.25	50,000	68,087	118,087
2008	2.55	50,000	66,963	116,963
2009	2.70	55,000	65,688	120,688
2010	3.05	55,000	64,202	119,202
2011	3.15	60,000	62,525	122,525
2012	3.25	65,000	60,635	125,635
2013	3.35	60,000	58,523	118,523
2014	4.00	345,000	56,512	401,512
2015	4.00	360,000	42,713	402,713
2016	3.65	375,000	28,312	403,312
2017	3.75	390,000	14,625	404,625
Subtotal		1,960,000	727,860	2,687,860
Total		\$ 3,990,000	\$ 1,222,977	\$ 5,212,977

During the year ended June 30, 2004, the District retired \$220,000 of bonds.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	5.50 %	\$ 130,000	\$ 69,703	\$ 199,703
2006	5.50	135,000	51,948	186,948
2007	5.00	140,000	44,735	184,735
2008	5.00	145,000	37,610	182,610
2009	3.75	155,000	31,079	186,079
2010	4.00	160,000	24,972	184,972
2011	4.15	165,000	18,349	183,349
2012	4.25	170,000	11,313	181,313
2013	4.40	175,000	3,850	178,850
Total		\$ <u>1,375,000</u>	\$ <u>293,559</u>	\$ <u>1,668,559</u>

The local option sales and services tax revenue bonds were issued for school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 422B.12 of the Code of Iowa. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$137,500 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$125,640, \$122,174, and \$114,534 respectively, equal to the required contributions for each year.

Note 6. Risk Management

Treynor Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$144,976 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8. Construction Commitments

The District entered into various contracts totaling \$2,534,791 for an elementary school addition and a football lighting project. At June 30, 2004 \$2,267,702 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the projects progresses.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 9. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District’s programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				
	General	Debt Service	Capital Projects	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$ 394,988	\$ 53,847	\$ 2,129,436	\$ 239,364	\$ 2,817,635
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$2,524,020					4,829,443
Long-term liabilities:					
Bonds					(4,210,000)
Accrued interest payable					(23,421)
Net assets, July 1, 2003, as restated					\$ 3,413,657

Required Supplementary Information

TREYNOR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 2,671,515	\$ 157,926	\$ 2,829,441	\$ 2,307,703	\$ 2,307,703	\$ 521,738
State sources	1,926,399	3,873	1,930,272	2,152,967	2,152,967	(222,695)
Federal sources	67,218	63,665	130,883	44,800	44,800	86,083
Total receipts	4,665,132	225,464	4,890,596	4,505,470	4,505,470	385,126
DISBURSEMENTS:						
Instruction	2,630,052	-	2,630,052	2,516,132	2,666,132	36,080
Support services	1,074,834	-	1,074,834	1,227,113	1,227,113	152,279
Non-instructional programs	3,300	232,075	235,375	185,000	215,000	(20,375)
Other expenditures	2,518,889	-	2,518,889	842,381	3,842,381	1,323,492
Total disbursements	6,227,075	232,075	6,459,150	4,770,626	7,950,626	1,491,476
Excess (deficiency) of receipts over (under) disbursements	(1,561,943)	(6,611)	(1,568,554)	(265,156)	(3,445,156)	1,876,602
Other financing sources, net	1,375,000	-	1,375,000	-	-	1,375,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(186,943)	(6,611)	(193,554)	(265,156)	(3,445,156)	3,251,602
Balance beginning of year	3,176,333	54,764	3,231,097	899,643	899,643	2,331,454
Balance end of year	<u>\$ 2,989,390</u>	<u>\$ 48,153</u>	<u>\$ 3,037,543</u>	<u>\$ 634,487</u>	<u>\$ (2,545,513)</u>	<u>\$ 5,583,056</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,665,132	\$ 77,620	\$ 4,742,752
Expenditures	6,227,075	309,274	6,536,349
Net	(1,561,943)	(231,654)	(1,793,597)
Other financing sources	1,375,000	-	1,375,000
Beginning fund balances	3,176,333	(358,698)	2,817,635
Ending fund balances	<u>\$ 2,989,390</u>	<u>\$ (590,352)</u>	<u>\$ 2,399,038</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 225,464	\$ -	\$ 225,464
Expenses	232,075	(7,158)	224,917
Net	(6,611)	7,158	547
Beginning net assets	54,764	18,343	73,107
Ending net assets	<u>\$ 48,153</u>	<u>\$ 25,501</u>	<u>\$ 73,654</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$3,180,000.

During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted prior to the budget amendment and disbursements in the non-instructional programs functional area exceeded the amount budgeted at year end.

Other Supplementary Information

TREYNOR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 20,877	\$ 37,018	\$ 199,934	\$ 257,829
Receivables:				
Property tax:				
Current year	789	-	729	1,518
Succeeding year	45,321	-	36,274	81,595
Accrued interest	-	-	33	33
Total assets	<u>\$ 66,987</u>	<u>\$ 37,018</u>	<u>\$ 236,970</u>	<u>\$ 340,975</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ <u>45,321</u>	\$ <u>-</u>	\$ <u>36,274</u>	\$ <u>81,595</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>21,666</u>	<u>37,018</u>	<u>200,696</u>	<u>259,380</u>
Total liabilities and fund equity	<u>\$ 66,987</u>	<u>\$ 37,018</u>	<u>\$ 236,970</u>	<u>\$ 340,975</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

	Special Revenue			
	Management	Student	Physical	
	Levy	Activity	Plant and	
			Equipment	Total
			Levy	
Revenues:				
Local sources:				
Local tax	\$ 50,113	\$ -	\$ 42,194	\$ 92,307
Other	20	177,540	1,511	179,071
State sources	29	-	23	52
Total revenues	<u>50,162</u>	<u>177,540</u>	<u>43,728</u>	<u>271,430</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	4,500	-	-	4,500
Other instruction	-	185,682	-	185,682
Support services:				
Administration services	2,000	-	-	2,000
Operation and maintenance of				
plant services	25,618	-	-	25,618
Transportation services	12,517	-	-	12,517
Central and other support services	3,341	-	-	3,341
Non instructional programs	3,300	-	-	3,300
Other expenditures:				
Facilities acquisition	-	-	14,456	14,456
Total expenditures	<u>51,276</u>	<u>185,682</u>	<u>14,456</u>	<u>251,414</u>
Excess (deficiency) of revenues over				
(under) expenditures	(1,114)	(8,142)	29,272	20,016
Fund balances beginning of year	<u>22,780</u>	<u>45,160</u>	<u>171,424</u>	<u>239,364</u>
Fund balances end of year	<u>\$ 21,666</u>	<u>\$ 37,018</u>	<u>\$ 200,696</u>	<u>\$ 259,380</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Speech	\$ 162	\$ 1,525	\$ 1,589	\$ 98
Instrumental	740	8,424	9,075	89
Vocal	63	2,529	2,417	175
Student Council	966	7,717	7,258	1,425
FHA	20	-	-	20
Drill Team	896	3,995	4,884	7
National Honor Society	294	250	454	90
Cheerleaders	604	4,362	3,082	1,884
Yearbook	6,606	9,490	12,172	3,924
Class of:				
2003	453	-	453	-
2004	2,064	-	1,825	239
2005	-	8,430	6,762	1,668
Elementary (Student Leader)	16,131	11,946	11,772	16,305
Assemblies	552	384	41	895
Basketball	4,525	17,423	19,602	2,346
Football	1,510	29,420	30,023	907
Baseball/Softball	5,051	10,056	12,281	2,826
Track	1,148	5,235	6,341	42
Golf	243	1,293	1,522	14
Wrestling	34	2,715	2,486	263
Volleyball	3,013	8,786	9,271	2,528
Interest	46	679	694	31
Change Fund	-	46,124	46,124	-
Tobacco	39	-	39	-
Science	-	4,604	3,362	1,242
Intrafund Transfers	-	(7,847)	(7,847)	-
Total	\$ 45,160	\$ 177,540	\$ 185,682	\$ 37,018

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 1,937,575	\$ 1,577,085	\$ 1,357,177	\$ 1,246,868
Tuition	512,865	465,591	374,781	384,806
Other	298,695	240,919	215,637	235,895
State sources	1,926,400	1,895,760	1,744,758	1,658,862
Federal sources	67,217	100,753	32,726	24,795
Total revenues	<u>\$ 4,742,752</u>	<u>\$ 4,280,108</u>	<u>\$ 3,725,079</u>	<u>\$ 3,551,226</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,970,457	\$ 1,852,190	\$ 1,735,774	\$ 1,708,216
Special instruction	269,001	321,640	239,602	85,267
Other instruction	374,006	358,572	338,468	299,606
Support services:				
Student services	82,558	99,899	80,381	72,017
Instructional staff services	59,035	58,217	55,752	67,756
Administration services	371,509	394,151	364,752	341,276
Operation and maintenance of plant services	365,371	347,024	410,649	356,921
Transportation services	191,367	194,511	223,343	181,656
Central and other support services	3,341	-	-	-
Non-instructional programs	3,300	-	-	-
Other expenditures:				
Facilities acquisition	2,310,809	201,249	35,704	106,760
Long-term debt:				
Principal	220,000	170,000	160,000	150,000
Interest and fiscal charges	170,619	114,780	121,342	127,342
AEA flowthrough	144,976	149,486	142,222	137,747
Total expenditures	<u>\$ 6,536,349</u>	<u>\$ 4,261,719</u>	<u>\$ 3,907,989</u>	<u>\$ 3,634,564</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Treyner Community School District:

We have audited the financial statements of Treyner Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 7, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Treyner Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Treyner Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-B-04 and II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Treyner Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04, I-B-04, I-C-04, I-D-04, I-E-04 and I-F-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Treynor Community School District and other parties to whom Treynor Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Treynor Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 7, 2004

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliation, bank deposits, posting of the cash receipts to the cash receipts journal, and the recording, preparing, and signing of checks can all be performed by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult to achieve. We recommend that the District review periodically its operating procedures and personnel responsibilities and make changes when possible.

Response – We will investigate available alternatives and implement whenever possible.

Conclusion – Response accepted.

I-B-04 Athletic Event Gate Receipts – Prenumbered tickets with a subsequent reconciliation to the total gate receipts are not used for all athletic events.

Recommendation – Prenumbered tickets should be used for athletic events and the tickets should be reconciled to the total gate receipts in order to have documented support that all receipts are deposited.

Response – While we recognize that it is preferable to use prenumbered tickets, the physical layout of the athletic field does not allow an efficient and timely attendance and parking of cars by fans attending outdoor athletic events. However, we have initiated procedures after the games to have two principals and the superintendent count the receipts and put them in the bank night depository.

Conclusion – Response accepted.

I-C-04 Unauthorized Signatures – The bank confirmation did not indicate as authorized check signers personnel who were signing checks for the Schoolhouse Funds checking account. The bank confirmation also indicated the name of a former Board President who would be able to sign checks as an authorized check signer on four accounts.

Recommendation – The District should obtain and prepare proper authorization cards for all accounts at all banks in which the District deposits District funds.

Response – We will obtain and prepare proper authorization cards at all District financial institutions.

Conclusion – Response accepted.

I-D-04 Disbursement Approval – Out of forty disbursements tested, the Board had not approved one disbursement. The Board does have a written policy regarding payment prior to approval for certain types of expenditures. However, this particular payment was not later formally approved by the Board as the policy requires.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-D-04 Disbursement Approval (continued)

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements. All disbursements should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.”

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. In addition, the Secretary, upon documentation of approval by the Board President, may issue warrants for other verified bills prior to Board approval when the Board is not in session. All such bills must then be approved by the Board at the next meeting.

Response – We will review and implement this recommendation.

Conclusion – Response accepted.

I-E-04 Disbursements – Out of forty disbursements selected in our disbursement test, six were not supported by an invoice or receipt at the time payment was made and three had only a statement for support, with no detail as to amounts represented on the statement. In addition, one of thirty-two disbursements over scope examined in our payables test was not supported by an actual invoice or receipt and one had only a statement for support, with no detail as to amounts represented on the statement. Also, one disbursement in our related transaction test was not supported by an invoice or receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment

Conclusion – Response accepted.

I-F-04 Payroll Records – Out of ten employees tested for payroll, one did not have a completed W-4 on file.

Recommendation – All employees should have a completed W-4 on file.

Response – We have obtained a W-4 from this employee which is now on file.

Conclusion – Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-G-04 Additional Compensation – We noted a payment to an employee for unused vacation that did not run through the District’s payroll. This payment also was not made in accordance with the employee’s contract.

Recommendation – The District should ensure that payments to employees for services performed be treated as additional compensation and, accordingly, withhold the appropriate taxes as required by the Internal Revenue Service and the Iowa Department of Revenue and Finance.

Response – We will make sure that all payments to employees for services performed run through the District’s normal payroll process.

Conclusion – Response accepted.

- I-H-04 Fundraisers – Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.

Recommendation – The District should develop some type of summary form and procedures which would include reviewing supporting documentation for fundraisers in order to account for the completeness and accuracy of revenues recorded. For example, you could have the activity sponsor summarize budgeted, expected, and actual results on a spreadsheet which can be compared to actual fundraising receipts recorded once the fundraiser is completed. Any revenues short or long can then be explained on the form. This form should be reviewed and initialed by either the Activity Director, Principal, or Secretary as applicable. Whoever is reviewing these fundraiser summary forms should also verify in detail the information on a couple of forms each year. This can be done by tracing the information on the form to the supporting documentation kept by the activity sponsor, i.e. sales sheets, order forms, etc. We realize verifying every fundraiser would be time consuming so not every fundraiser needs to be verified in detail. Checking a few each year will let the activity sponsors realize that someone may be reviewing their records.

Response – We will review our procedures regarding fundraising activities and change our procedures as we deem necessary.

Conclusion – Response accepted.

- I-I-04 Nontimely Deposit – Out of nineteen receipts tested, two were not deposited to the bank timely. One of these receipts was for a fundraiser where the money collected was not turned in to the District until several months after the fundraiser was held.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid possible irregularities and to earn the interest revenue on the public funds.

Response – We will try to make sure that all receipts are deposited timely in the future.

Conclusion – Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-J-04 Duplicate Payments – We noted three construction contracts that had duplicate payments made on them. The payments were reimbursed later as a credit to the next billing.

Recommendation – The District should develop a better filing system for the Capital Projects Fund and Physical Plant and Equipment Levy Fund invoices. This would allow the District to better review the payments made to each vendor and ensure that bills are not paid twice or overpaid.

Response – We will review and implement this recommendation.

Conclusion – Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures functional area prior to the budget amendment and exceeded the amount budgeted in the non-instructional programs functional area at year end.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Applebees	General	Gift Certificates	\$ 150

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the District should establish written policies and procedures, including the requirement for proper documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

- II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Neal Andersen, Board Member Owner of Hawkeye Construction	Concrete work, per bid	\$ 5,876

This transaction does not appear to represent a conflict of interest since the transaction was competitively bid as provided by Chapter 279.7A of the Code of Iowa.

- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – Except as previously mentioned in comment I-D-04, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-04 Physical Plant and Equipment Levy – The proceeds of taxes levied under Chapter 298.3 of the code of Iowa were used to pay for units of equipment that were each less than \$500. The total unallowable expenditures were \$9,981.

Recommendation – Equipment may be purchased from the Physical Plant and Equipment Levy (PPEL) Fund only if the value of the single unit of equipment exceeds \$500. The General Fund should reimburse \$9,981 to the PPEL Fund for the equipment.

Response – We will ensure that all future PPEL expenditures are in compliance with the Code of Iowa. We will also make the required reimbursement from the General Fund to the PPEL Fund.

Conclusion – Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

II-L-04 Meal Revenues – The District codes all Enterprise, School Nutrition student sales through one revenue account. The Department of Education requires that student lunch, student breakfast, and ala carte sales revenues be coded and tracked separately.

Recommendation – The District should begin coding and tracking students lunches, student breakfasts, and ala carte sales separately.

Response – We will investigate software and coding alternatives to implement better tracking of meal revenues.

Conclusion – Response accepted.

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